

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JUDGE KOELTL

09 CIV 6966

PLUMBERS AND PIPEFITTERS LOCAL
UNION NO. 719 PENSION TRUST FUND,
on Behalf of Itself and All Others Similarly
Situating,

Plaintiff,

vs.

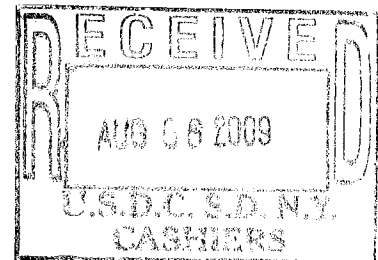
CONSECO INC., WILLIAM KIRSCH,
EUGENE BULLIS, MICHAEL DUBES,
JAMES HOHMANN, JIM PRIEUR,
EDWARD BONACH, and JOHN WELLS,

Defendants.

Civil Action No.

CLASS ACTION

COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS



Plaintiff has alleged the following based upon the investigation of Plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Consec Inc. ("Consec" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal class action on behalf of purchasers of the common stock of Consec between August 4, 2005 and March 17, 2008, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the SEC [17 C.F.R. §240.10b-5].

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act.

4. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. §1391(b), as many of the false and misleading statements identified herein were distributed throughout this District, the Company conducts substantial business in this District and the Company's stock trades on the New York Stock Exchange, which is located in this District.

5. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

6. Plaintiff Plumbers and Pipefitters Local Union No. 719 Pension Trust Fund, as set forth in the accompanying certification and incorporated by reference herein, purchased the common stock of Consecos during the Class Period and has been damaged thereby.

7. Defendant Consecos, through its subsidiaries, engages in the development, marketing, and administration of supplemental health insurance, annuity, individual life insurance, and other insurance products for senior and middle-income markets in the United States. Consecos's primary executive offices are located in Carmel, Indiana.

8. (a) Defendant William Kirsch ("Kirsch") served as President and Chief Executive Officer ("CEO") of Consecos from August 2004 until May 2006;

(b) Defendant Eugene Bullis ("Bullis") served as Executive Vice President and Chief Financial Officer ("CFO") of Consecos from November 2002 until May 2007;

(c) Defendant Michael Dubes ("Dubes") served as President of Consecos from May 2005 until December 2007;

(d) Defendant James Hohmann ("Hohmann") served as Executive Vice President and Chief Administrative Officer of Consecos from December 2004 until September 2006. From May 2006 through September 2006, Hohmann also assumed the role of Interim CEO of the Company. In September 2006, Hohmann's duties changed and he assumed the roles President and Chief Operating Officer of Consecos until December 2006;

(e) Defendant Jim Prieur ("Prieur") has served as CEO of Consecos since September 2006;

(f) Defendant Ed Bonach ("Bonach") has served as Executive Vice President and CFO of Consecos since May 2007;

(g) Defendant John Wells (“Wells”) has served as Senior Vice President, Long Term Care of Consecos since December 2006. Wells has also served as Senior Vice President, Operations of Bankers Life & Casualty Company, a subsidiary of Consecos, since November 2004;

(h) Defendants Kirsch, Bullis, Dubes, Hohmann, Prieur, Bonach and Wells are collectively referred to herein as the “Individual Defendants.”

9. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Consecos, were privy to confidential and proprietary information concerning Consecos, its operations, finances, financial condition and present and future business prospects. The Individual Defendants also had access to material adverse non-public information concerning Consecos, as discussed in detail below. Because of their positions with Consecos, the Individual Defendants had access to non-public information about its business, finances, products, markets and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

10. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of Section 20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Consecos’s business.

11. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts and through them, to the investing public. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

12. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the New York Stock Exchange ("NYSE") and governed by the federal securities laws, the Individual Defendants had a duty to promptly disseminate accurate and truthful information with respect to Consecos financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of Consecos common stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

13. The Individual Defendants are liable as participants in a fraudulent scheme and course of conduct which operated as a fraud or deceit on purchasers of Consecos common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Consecos business, operations and management and the intrinsic value of Consecos common stock; and (ii) caused Plaintiff and members of the Class to purchase Consecos common stock at artificially inflated prices.

CLASS ACTION ALLEGATIONS

14. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the common stock of Consecro between August 4, 2005 and March 17, 2008, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

15. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Consecro common stock was actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Consecro or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

16. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law complained of herein.

17. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action and securities litigation.

18. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

- (b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and operations of Consecro;
- (c) whether the price of Consecro common stock was artificially inflated during the Class Period; and
- (d) to what extent the members of the Class have sustained damages and the proper measure of damages.

19. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

20. Defendant Consecro describes itself as the holding company for a group of insurance companies operating throughout the United States that develop, market and administer supplemental health insurance, annuity, individual life insurance and other insurance products.

21. The Class Period begins on August 4, 2005. On that date, Consecro issued a press release announcing its financial results for the second quarter of 2005, the period ended June 30, 2005 (the "August 4th Press Release"). In that regard, the press release stated:

Consecro, Inc. (NYSE:CNO) today reported results for the second quarter of 2005 -- the company's seventh consecutive quarter of strong earnings. Net income applicable to common stock was a record \$78.6 million, a 76% increase versus \$44.6 million in 2Q04. Net Operating Income (1) was \$74.1 million, a 58% increase versus \$46.9 million in 2Q04. Net Income per share was 48 cents versus 34 cents in 2Q04. Net Operating Income per share was 45 cents versus 36 cents in 2Q04. All per-share results are on a diluted basis. Earnings before corporate interest, net realized investment gains and taxes ("EBIT") (2) were \$146.2 million in 2Q05, an 11% increase versus \$131.5 million in 2Q04.

President and CEO William Kirsch said, "During the past 12 months, Consecos has achieved steady and consistent progress on each of our key initiatives. **We have fundamentally strengthened our balance sheet, expense management, operations, product offerings, distribution systems, internal controls and, most importantly, our management team.** Building on these accomplishments, we have now posted a record quarter and our seventh consecutive quarter of strong earnings. We continue to build our financial strength with a debt-to-total capital ratio, excluding accumulated other comprehensive income, of 17% (3) and a book value per share, excluding accumulated other comprehensive income, of \$20.21 (3).

"We will continue to deliver on our key initiatives, and will invest in building a strong platform as we reduce costs, grow sales and provide excellent customer service," Kirsch said.

* * *

Best practices in governance and compliance. We continue to enhance internal controls across our business activities and are making steady progress toward best practices across all our business units.

[Emphasis added.]

22. On August 4, 2005, Consecos held a conference call with investors and reiterated its financial results set forth in its press release. On the conference call, Defendant Kirsch stated: "I'm very pleased to report our 7th straight quarter of strong earnings."

23. On August 8, 2005, Consecos filed its Form 10-Q with the SEC and reiterated the Company's financial results that were contained in the August 4th Press Release.

24. On November 3, 2005, Consecos issued a press release announcing its financial results for the third quarter of 2005, the period ended September 30, 2005 (the "November 3rd Press Release"). In that regard, the press release stated:

Consecos, Inc. (NYSE:CNO) today reported results for the third quarter of 2005 - the company's eighth consecutive quarter of strong earnings. Net operating income (1) was \$72.1 million, up 24% versus \$58.0 million in 3Q04. Net operating income per share was 44 cents, up 22% versus 36 cents in 3Q04. Net income applicable to common stock was \$68.4 million, up 18% versus \$58.0 million in 3Q04. Net income per share was 42 cents, up 17% versus 36 cents in 3Q04. Earnings before net realized investment gains, corporate interest and taxes ("EBIT") (2) were \$142.8 million in 3Q05, up 23% versus \$116.1 million in 3Q04. All per-share results are on a diluted basis.

* * *

President and CEO William Kirsch said, "Conseco has posted its eighth consecutive quarter of strong earnings growth, reflecting the consistent progress we have made on our key initiatives. While much work remains to be done in our mission to establish Conseco as a premier insurance company serving middle market Americans with life, annuity and supplemental health products, our efforts to improve the company's distribution, technology, product offerings, operations and expense management are producing meaningful results. In particular, I'm very proud that our team continues to effectively execute on our strategies and initiatives to grow sales while reducing expenses."

* * *

"In addition to our success in sales and expense management, our initiatives to achieve technological excellence, implement a more efficient, low-cost operating platform designed to provide excellent customer service, and adopt best practices in governance and compliance all contributed to our third quarter performance," Kirsch said. "Finally, we continued to strengthen our leadership team with the addition of two outstanding proven executives, Christopher Nickele, executive vice president for new product development, and Timothy Powell, vice president and director of private placements for 40|86 Advisors. We have now added 21 new key executives to our team since August 2004, who individually and collectively are expanding Conseco's expertise and growth prospects," Kirsch said.

[Emphasis added.]

25. On November 3, 2005, Conseco held a conference call with investors and reiterated its financial results set forth in the November 3rd Press Release.

26. On November 7, 2005, Conseco filed its Form 10-Q with the SEC and reiterated the Company's financial results that were contained in the November 3rd Press Release.

27. On February 27, 2006, Conseco issued a press release announcing its financial results for the fourth quarter and year-end of 2005, the period ended December 31, 2005 (the "February 27th Press Release"). In that regard, the press release stated:

Fourth quarter 2005 results:

* Net operating income (1): \$70.4 million, up 1% over 4Q04

- * Net operating income per diluted share: 44 cents, up 5% over 4Q04
- * Net income applicable to common stock: \$67.6 million, down 12% from 4Q04 (including \$2.8 million of net realized investment losses in 4Q05 vs. \$7.3 million of net realized investment gains in 4Q04)
- * Net income per diluted share: 42 cents, down 9% from 4Q04 (including 2 cents of net realized investment losses in 4Q05 vs. 4 cents of net realized investment gains in 4Q04)
- * Earnings before net realized investment gains (losses), corporate interest and taxes ("EBIT") (2): \$130.2 million, flat with 4Q04
- * Sales (new annualized premium): \$89.7 million, up 19% over 4Q04

Full year 2005 results:

- * Net operating income (1): \$286.9 million, up 36% over 2004
- * Net operating income per diluted share: \$1.76, up 17% over 2004
- * Net income applicable to common stock: \$286.9 million, up 25% over 2004
- * Net income per diluted share: \$1.76, up 8% over 2004
- * Earnings before net realized investment gains (losses), corporate interest, gain (loss) on extinguishment of debt and taxes ("EBIT") (2): \$555.3 million, up 12% over 2004
- * Sales (new annualized premium): \$332.6 million, up 10% over 2004

* * *

President and CEO William Kirsch said, "Conseco's operating performance in 2005 reflects the progress we are making on our key initiatives. **In addition to higher sales and lower expenses, our initiatives related to technology, operations, customer service and governance and compliance all contributed to our fourth quarter and full-year performance.** We are continuing to make the necessary investments to expand our capabilities in each of these critical areas. In particular, we have restructured our product development capabilities on an enterprise-wide basis to better meet customer requirements across the middle market and to better support our expanding distribution. We are moving ahead with a clear focus on the driving factors behind our profitable growth to establish Conseco as a leading provider of financial security for the life, health and retirement needs of middle market Americans."

[Emphasis added.]

28. On February 28, 2006, Conseco held a conference call with investors and reiterated its financial results set forth in the February 27th Press Release.

29. On March 15, 2006, Consecro filed its Form 10-K with the SEC and reiterated the Company's financial results that were contained in the February 27th Press Release.

30. On May 4, 2006, Consecro issued a press release announcing its financial results for the first quarter of 2006, the period ended March 31, 2006 (the "May 4th Press Release"). In that regard, the press release stated:

Consecro, Inc. (NYSE:CNO) today reported results for the first quarter of 2006:

- * Net operating income (1): \$55.8 million (including after-tax expenses of \$9.6 million related to certain litigation reserves), down 21% from 1Q05
- * Net operating income per diluted share: 36 cents (including after-tax expenses of 5 cents per share related to certain litigation reserves), down 16% from 1Q05
- * Net income applicable to common stock: \$55.1 million, down 24% from 1Q05 (including \$.7 million of net realized investment losses in 1Q06 vs. \$2.0 million of net realized investment gains in 1Q05)
- * Net income per diluted share: 35 cents, down 20% from 1Q05 (including 1 cent of net realized investment losses in 1Q06 vs. 1 cent of net realized investment gains in 1Q05)
- * Sales (new annualized premium): \$85.8 million, up 7% over 1Q05

During the quarter, Consecro continued to make progress on its initiatives to increase sales, aggressively manage expenses, enhance its technology and operating platform, build a high-performance culture and maintain top-tier corporate governance practices. Consecro's vision and mission are clear and consistent: to establish Consecro as a leading provider of financial security for the life, health and retirement needs of middle market Americans.

[Emphasis added.]

31. On May 5, 2006, Consecro held a conference call with investors and reiterated its financial results set forth in the May 4th Press Release.

32. On May 8, 2006, Consecro filed its Form 10-Q with the SEC and reiterated the Company's financial results that were contained in the May 4th Press Release.

33. On August 2, 2006, Consecro issued a press release announcing its financial results for the second quarter of 2006, the period ended June 30, 2006 (the "August 2nd Press Release"). In that regard, the press release stated:

Consecro, Inc. (NYSE:CNO) today reported results for the second quarter and six months of 2006. The quarter's results reflect the impact of the previously announced tentative litigation settlement that resulted in after-tax costs of approximately \$100.3 million and finalized tax settlement that resulted in a direct increase to shareholders' equity of approximately \$260 million.

Second quarter 2006 results:

- * Net operating income (loss) (1): (\$31.7) million (including after-tax costs related to the tentative litigation settlement of \$100.3 million), compared to \$74.1 million in 2Q05
- * Net operating income (loss) per diluted share: (21) cents (including after-tax costs related to the tentative litigation settlement of 66 cents per share), compared to 45 cents in 2Q05
- * Net income (loss) applicable to common stock: (\$31.8) million, compared to \$78.6 million in 2Q05 (including \$0.1 million of net realized investment losses in 2Q06 vs. \$4.5 million of net realized investment gains in 2Q05)
- * Net income (loss) per diluted share: (21) cents, compared to 48 cents in 2Q05 (including no net realized investment losses in 2Q06 vs. 3 cents of net realized investment gains in 2Q05)
- * Earnings (loss) before net realized investment gains (losses), corporate interest and taxes ("EBIT") (2): (\$22.7) million (including pre-tax costs related to the tentative litigation settlement of \$157.0 million), compared to \$146.2 million in 2Q05
- * Sales (4): \$89.1 million, up 8% over 2Q05

Six months 2006 results:

- * Net operating income (1): \$24.1 million (including after-tax costs related to the tentative litigation settlement of \$111.6 million), down 83% from the first six months of 2005
- * Net operating income per diluted share: 16 cents (including after-tax costs related to the tentative litigation settlement of 73 cents per share), down 82% from the first six months of 2005

- * Net income applicable to common stock: \$23.3 million, down 85% from the first six months of 2005
- * Net income per diluted share: 15 cents, down 84% from the first six months of 2005
- * EBIT (2): \$91.9 million (including pre-tax costs related to the tentative litigation settlement of \$174.7 million), down 67% from the first six months of 2005
- * Sales (4): \$174.9 million, up 7% over the first six months of 2005

Financial strength at June 30, 2006:

- * Book value per share, excluding accumulated other comprehensive income (loss) (3), was \$26.89, compared to \$24.95 at December 31, 2005
- * Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (3), was 14.5%, compared to 16.1% at December 31, 2005

* * *

“These events are evidence of our progress as an organization,” Hohmann said. “We are making significant strides on many fronts as we establish Consecro as a leading provider of financial security for the life, health and retirement needs of middle market America.”

[Emphasis added.]

34. On August 3, 2006, Consecro held a conference call with investors and reiterated its financial results set forth in the August 2nd Press Release.

35. On August 8, 2006, Consecro filed its Form 10-Q with the SEC and reiterated the Company’s financial results that were contained in the August 2 press release.

36. On November 1, 2006, Consecro issued a press release announcing its financial results for the third quarter of 2006, the period ended September 30, 2006 (the “November 1st Press Release”). In that regard, the press release stated:

Consecro, Inc. (NYSE:CNO) today reported results for the third quarter and nine months of 2006. “Our results for the current quarter reflect solid performance in our core operating businesses but have been impacted by the poor results of the long-term care block in our run-off segment,” said Chief Executive Officer Jim Prieur. “Core business results were consistent with our expectations, with operating earnings

essentially flat in the third quarter of 2006 compared to the third quarter of 2005 reflecting some unusual items in last year's third quarter. Sales were up a strong 14% on a combined basis. The run-off segment's results were significantly less than last year's third quarter and our expectations, with a pre-tax operating loss of \$13.0 million compared to a profit of \$16.4 million in the prior year period. A combination of higher than expected incurred claims and lower than expected reserve releases for policy terminations were the principal factors contributing to the poor results."

Third quarter 2006 results:

- * Net operating income (1): \$52.8 million, compared to \$72.1 million in 3Q05
- * Net operating income per diluted share: 35 cents, compared to 44 cents in 3Q05
- * Net income applicable to common stock: \$38.9 million, compared to \$68.4 million in 3Q05 (including \$13.9 million of net realized investment losses in 3Q06 vs. \$3.7 million of net realized investment losses in 3Q05)
- * Net income per diluted share: 26 cents, compared to 42 cents in 3Q05 (including 9 cents of net realized investment losses in 3Q06 vs. 2 cents of net realized investment losses in 3Q05)
- * Earnings before net realized investment gains (losses), corporate interest and taxes ("EBIT") (2): \$110.4 million, compared to \$142.8 million in 3Q05
- * Sales (4): \$91.6 million, up 14% over 3Q05

Nine months 2006 results:

- * Net operating income (1): \$76.9 million (including after-tax costs related to the tentative litigation settlement of \$99.7 million), down 64% from the first nine months of 2005
- * Net operating income per diluted share: 50 cents (including after-tax costs related to the tentative litigation settlement of 65 cents per share), down 62% from the first nine months of 2005
- * Net income applicable to common stock: \$62.2 million, down 72% from the first nine months of 2005
- * Net income per diluted share: 41 cents, down 69% from the first nine months of 2005
- * EBIT (2): \$202.3 million (including pre-tax costs related to the tentative litigation settlement of \$157.0 million), down 52% from the first nine months of 2005

* * *

In our Other Business in Run-off segment, EBIT was (\$13.0) million in the third quarter of 2006, compared to \$16.4 million in the third quarter of 2005. Results in the third quarter of 2006 were affected by the following items:

- 1) Adverse development of prior period claim reserves (approximately \$11 million);
- 2) Higher than expected initial claim costs (approximately \$2 million); and
- 3) Less than expected reserve releases for terminated policies (approximately \$9 million).

* * *

Outlook

We expect the performance of our core businesses in the fourth quarter to approximate third quarter results. We are responding with increased focus and urgency to the emerging trends in the long-term care block in the non-core run-off segment, through vigilant claims management and a comprehensive premium re-rate process. However, these steps will likely take several quarters to influence results. The impact of small experience-driven changes in the approximately \$3.3 billion of reserves held on this block can produce volatility in quarterly earnings.

37. On November 2, 2006, Conseco held a conference call with investors and reiterated its financial results set forth in the November 1st Press Release.

38. On November 7, 2006, Conseco filed its Form 10-Q with the SEC and reiterated the Company's financial results that were contained in the November 1st Press Release.

39. On March 6, 2007, Conseco issued a press release announcing its financial results for the fourth quarter and year-end of 2006, the period ended December 31, 2006 (the "March 6th Press Release"). In that regard, the press release stated:

Conseco, Inc. (NYSE:CNO) today reported results for the fourth quarter and full year 2006. "I'm disappointed with our poor overall financial results," said Jim Prieur, reporting on his first full quarter as CEO, "but we are taking the necessary steps that will fundamentally change Conseco for the better. The results for the quarter reflect a number of adjustments, many of which we believe are one-time in nature, and there are many signs of progress, including strong full year sales growth in our core operating businesses, emerging efficiencies from the consolidation of our back office operations, and progress on our initiatives to improve the performance of our run-off long-term care block."

Fourth quarter 2006 results:

- Net operating income (1): \$5.7 million, compared to \$70.4 million in 4Q05
- Net operating income per diluted share: 4 cents, compared to 44 cents in 4Q05
- Net income (loss) applicable to common stock: \$(3.7) million, compared to \$67.6 million in 4Q05 (including \$9.4 million of net realized investment losses in 4Q06 vs. \$2.8 million of net realized investment losses in 4Q05)
- Net income (loss) per diluted share: (2) cents, compared to 42 cents in 4Q05 (including 6 cents of net realized investment losses in 4Q06 vs. 2 cents of net realized investment losses in 4Q05)
- Earnings before net realized investment losses, corporate interest and taxes ("EBIT") (2): \$40.7 million, compared to \$130.2 million in 4Q05
- Sales (4): \$87.2 million, down 3% from 4Q05

Full year 2006 results:

- Net operating income (1): \$82.6 million (including after-tax costs related to the tentative litigation settlement of \$102.1 million), down 71% from 2005
- Net operating income per diluted share: 54 cents (including after-tax costs related to the tentative litigation settlement of 67 cents per share), down 69% from 2005
- Net income applicable to common stock: \$58.5 million, down 80% from 2005
- Net income per diluted share: 38 cents, down 78% from 2005
- EBIT (2): \$243.0 million (including pre-tax costs related to the tentative litigation settlement of \$157.0 million), down 56% from 2005
- Sales (4): \$353.7 million, up 6% over 2005

Financial strength at December 31, 2006:

- Book value per common share, excluding accumulated other comprehensive income (loss) (3), was \$27.06, compared to \$24.95 at December 31, 2005
- Book value per diluted share, excluding accumulated other comprehensive income (loss) (3), was \$25.64, compared to \$24.26 at December 31, 2005
- Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (3), was 17.3%, compared to 16.1% at December 31, 2005

Operating results

* * *

Internal Controls over Financial Reporting

We expect to file our annual report on Form 10-K on or about March 9, 2007. As a result of certain adjustments identified by management and made during our year-end closing process, we have concluded that, as of December 31, 2006, we did not maintain effective control over certain actuarial financial reporting processes. The related control deficiencies, taken in the aggregate, constitute a material weakness. None of the adjustments were material individually, or in the aggregate, to our current year or prior period financial statements taken as a whole. We have taken steps to address the control deficiencies which will not be considered fully remediated until the revised control processes have been operating for a sufficient period of time to provide reasonable assurance as to their effectiveness.

Outlook

The significant losses recently incurred in our run-off block of long-term care insurance have led to corrective action plans involving accelerated premium increase activity, enhanced care management and claim adjudication practices, upgrading of management talent and focused accountability, and improved technology based tools. However, more time is necessary to achieve the necessary visibility to improving trends in operating results in order to provide any commentary on outlook. As these results are significant to our overall operating performance, we cannot comment on overall outlook at this time. See note on forward-looking statements below.

40. On March 7, 2007, Consecos held a conference call with investors and reiterated its financial results set forth in the March 6th Press Release.

41. On March 9, 2007, Consecos filed its Form 10-K with the SEC and reiterated the Company's financial results that were contained in the March 6th Press Release.

42. On May 8, 2007, Consecos issued a press release announcing its financial results for the first quarter of 2007, the period ended March 31, 2007 (the "May 8th Press Release"). In that regard, the press release stated:

Consecos, Inc. (NYSE:CNO) today reported results for the first quarter of 2007.

"Although results for the quarter are below expectations, Consecos is making tangible progress across the organization," CEO Jim Prieur said regarding the first quarter results. "Sales growth was very strong in both our Bankers Life and Colonial Penn

businesses, and the sales mix at Conseco Insurance Group has improved. We experienced reduced losses in our other business in run-off segment, where we are beginning to see the anticipated improvements in claims management as well as the positive impact from the re- rate program. As we have reported previously, improvement in the performance of that block is expected to occur over several quarters.”

* * *

First quarter 2007 results:

- Net operating income (1): \$14.6 million, compared to \$55.8 million in 1Q06
- Net operating income per diluted share: 10 cents, compared to 36 cents in 1Q06
- Net income applicable to common stock: \$.9 million, compared to \$55.1 million in 1Q06 (including \$13.7 million of net realized investment losses in 1Q07 vs. \$.7 million of net realized investment losses in 1Q06)
- Net income per diluted share: 1 cent, compared to 35 cents in 1Q06 (including 9 cents of net realized investment losses in 1Q07 vs. 1 cent of net realized investment losses in 1Q06)
- Earnings before net realized investment losses, corporate interest and taxes (“EBIT”) (2): \$53.3 million, compared to \$114.6 million in 1Q06
- Sales (3): \$134.2 million, up 10% from 1Q06 (includes sales from Medicare Advantage Plans through our partnership with Coventry Health Care (Coventry))

Financial strength at March 31, 2007:

- Book value per common share, excluding accumulated other comprehensive income (loss) (4), was \$27.17, compared to \$27.06 at December 31, 2006
- Book value per diluted share, excluding accumulated other comprehensive income (loss) (4), was \$25.24, compared to \$25.64 at December 31, 2006
- Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 17.3% at both March 31, 2007 and December 31, 2006

Operating results

* * *

In our Other Business in Run-off segment, we recognized a pre-tax operating loss of \$30.9 million in the first quarter of 2007, compared to earnings of \$24.0 million in the first quarter of 2006. Results for the current period include claim reserve strengthening of \$22.0 million resulting from changes in reserving methodology for a relatively small block of business (Transport Life) with a high concentration of policies with lifetime benefits and inflation riders. Results for the 2006 period include several adjustments to insurance liabilities that increased earnings by \$14 million.

43. On May 9, 2007, Consecos held a conference call with investors and reiterated its financial results set forth in the May 8th Press Release.

44. On May 9, 2007, Consecos filed its Form 10-Q with the SEC and reiterated the Company's financial results that were contained in the May 8th Press Release.

45. On August 6, 2007, Consecos issued a press release announcing its financial results for the second quarter of 2007, the period ended June 30, 2007 (the "August 6th Press Release"). In that regard, the press release stated:

Consecos, Inc. (NYSE:CNO) today reported results for the second quarter of 2007.

"Results for the second quarter reflect a significant strengthening of our claim reserves in our other business in run-off segment," CEO Jim Prieur said. "While this strengthening should reduce the volatility of the loss experience in future periods, progress in the turnaround of that block of business will take several quarters before improvements in claims management and our re-rate program show significant impact as we position Consecos for future growth."

"During the second quarter, we strengthened run-off long-term care claim reserves by \$110 million," said Ed Bonach, Chief Financial Officer. "We have made every effort to ensure that our claim reserves are appropriate and forward looking. This action, which primarily relates to claims incurred in prior quarters, reflects our efforts to improve our re-serving process, using more detailed data and reserving techniques, and carefully evaluating new experience emerging in recent periods."

* * *

Second quarter 2007 results:

- * Net operating loss (1): \$54.4 million, compared to \$31.7 million in 2Q06 (including after-tax costs related to the proposed litigation settlement of \$22.8 million and \$102.1 million in 2Q07 and 2Q06, respectively)

- * Net operating loss per diluted share: 32 cents, compared to 21 cents in 2Q06 (including after-tax costs related to the proposed litigation settlement of 13 cents and 67 cents per share in 2Q07 and 2Q06, respectively)
- * Net loss applicable to common stock: \$64.5 million, compared to \$31.8 million in 2Q06 (including \$10.1 million of net realized investment losses in 2Q07 vs. \$.1 million of net realized investment losses in 2Q06)
- * Net loss per diluted share: 38 cents, compared to 21 cents in 2Q06 (including 6 cents of net realized investment losses in 2Q07 vs. nil net realized investment losses in 2Q06)
- * Loss before net realized investment losses, corporate interest and taxes ("EBIT") (2): \$60.2 million, compared to \$22.7 million in 2Q06 (including pre-tax costs related to the proposed litigation settlement of \$35.0 million and \$157.0 million in 2Q07 and 2Q06, respectively)
- * Sales (3): \$108.0 million, up 10% over 2Q06 (includes sales from Medicare Advantage Plans through our partnership with Coventry Health Care (Coventry))

Six-month 2007 results:

- * Net operating income (loss) (1): \$(39.8) million, compared to \$24.1 million in the first six months of 2006
- * Net operating income (loss) per diluted share: (25) cents, compared to 16 cents in the first six months of 2006
- * Net income (loss) applicable to common stock: \$(63.6) million, compared to \$23.3 million in the first six months of 2006
- * Net income (loss) per diluted share: (40) cents, compared to 15 cents in the first six months of 2006
- * EBIT (2): \$(6.9) million, compared to \$91.9 million in the first six months of 2006
- * Sales (4): \$242.2 million, up 10% over the first six months of 2006

Financial strength at June 30, 2007:

- * Book value per common share, excluding accumulated other comprehensive income (loss) (4), was \$24.93, compared to \$27.06 at December 31, 2006
- * Book value per diluted share, excluding accumulated other comprehensive income (loss) (4), was \$24.90, compared to \$25.64 at December 31, 2006

- * Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 20.3%, compared to 17.3% at December 31, 2006

Operating results

* * *

In our Other Business in Run-off segment, we recognized a pre-tax operating loss of \$133.2 million in the second quarter of 2007, compared to earnings of \$4.4 million in the second quarter of 2006. Significant factors affecting the segment's earnings in these periods included:

- * A \$118 million reduction in earnings in the second quarter of 2007 (compared to a \$20 million reduction in 2006) for increases to our estimates of claims incurred in prior periods. The reduction for the second quarter of 2007 includes \$110 million of reserve strengthening resulting from improvements to our reserving methods and assumptions to better reflect emerging trends.
- * A \$31 million reduction in earnings in the second quarter of 2007 for increases to the benefit ratio estimated for claims incurred in the quarter, compared to such benefit ratio estimated in the second quarter of 2006 for claims incurred in that quarter.
- * A \$9.4 million increase in earnings in the second quarter of 2006 due to release of certain reserve redundancies.

[Emphasis added.]

46. On August 7, 2007, Consecro held a conference call with investors and reiterated its financial results set forth in the August 6th Press Release.

47. On August 9, 2007, Consecro filed its Form 10-Q with the SEC and reiterated the Company's financial results that were contained in the August 6th Press Release.

48. Analyst Mark Finkelstein from Cochran Caronia Waller, commented on the long term care charge in a research report on August 7, 2007:

Given the sizeable LTC charge taken at Q4'06 related to a detailed review of the majority of the LTC blocks, followed by a smaller charge at Q1'07 on a specific block of business, the size of this quarter's charge is highly surprising, particularly as it didn't involve an unlocking of FAS 60 assumptions. Going forward, while we cannot dismiss the possibility of additional LTC charges on the claim reserve, this also places additional questions on whether the rate increases and claim handling

improvements are enough to offset the continuing to deteriorate loss trends. Hence, without a further unanticipated round of rate increases, there is a risk that the run-off segment continues to produce meaningful losses and even more capital will have to be ploughed into Consecro Senior Health.

49. In response to the Company's announcement on August 6, 2007, on August 7, 2007, shares of the Company's stock fell \$1.45 per share, or 8%, from a close of \$18.09 per share before the announcement, to close at \$16.64 per share, on extremely heavy trading volume. The Company's shares continued to decline over the next several days and closed at \$14.97 per share on August 9, 2007, down \$3.12 per share, or 18.75%, from its close on August 6, 2007.

50. On October 31, 2007, Consecro issued a press release announcing its financial results for the third quarter of 2007, the period ended September 30, 2007 (the "October 31st Press Release"). In that regard, the press release stated:

Consecro, Inc. (NYSE:CNO) today reported results for the third quarter of 2007.

"Third Quarter results reflect a number of significant events, as progress on our program to position Consecro for future profitability and growth is increasingly evident," CEO Jim Prieur said. "We saw continued strong growth in both our Bankers Life and Colonial Penn businesses, while Consecro Insurance Group, even with a decline in sales during the quarter, produced new business expected to be more profitable. Importantly, continued progress also was evident on the turnaround in our run-off long-term care block, with our claims reserve volatility reduced this quarter following the re-serve strengthening of the previous quarter. With only a small loss in the quarter, we are on target for that block to become profitable next year."

"The majority of our organizational realignment is now complete as well, with all of our customer service calls now being handled in our Carmel, Indiana offices," Prieur said.

* * *

Third quarter 2007 results:

- Net operating income (loss) (1): \$(25.6) million, compared to \$52.8 million in 3Q06
- Net operating income (loss) per diluted share: (14) cents, compared to 35 cents in 3Q06

- Net income (loss) applicable to common stock: \$(53.7) million, compared to \$38.9 million in 3Q06 (including \$28.1 million of net realized investment losses in 3Q07 vs. \$13.9 million of net realized investment losses in 3Q06)
- Net income (loss) per diluted share: (29) cents, compared to 26 cents in 3Q06 (including 15 cents of net realized investment losses in 3Q07 vs. 9 cents of net realized investment losses in 3Q06)
- Income (loss) before net realized investment losses, corporate interest and taxes ("EBIT") (2): \$(23.4) million, compared to \$110.4 million in 3Q06
- Sales (3): \$86.0 million, down 7% from 3Q06

Nine-month 2007 results:

- Net operating income (loss) (1): \$(65.4) million, compared to \$76.9 million in the first nine months of 2006
- Net operating income (loss) per diluted share: (39) cents, compared to 50 cents in the first nine months of 2006
- Net income (loss) applicable to common stock: \$(117.3) million, compared to \$62.2 million in the first nine months of 2006
- Net income (loss) per diluted share: (69) cents, compared to 41 cents in the first nine months of 2006
- EBIT (2): \$(30.3) million, compared to \$202.3 million in the first nine months of 2006
- Sales (4): \$328.2 million, up 5% over the first nine months of 2006

Financial strength at September 30, 2007:

- Book value per common share, excluding accumulated other comprehensive income (loss) (4), was \$24.79, compared to \$27.06 at December 31, 2006
- Book value per diluted share, excluding accumulated other comprehensive income (loss) (4), was \$24.77, compared to \$25.64 at December 31, 2006
- Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 20.6%, compared to 17.3% at December 31, 2006

51. On November 1, 2007, Consec held a conference call with investors and reiterated its financial results set forth in the October 31st Press Release.

52. On November 8, 2007, Consecro filed its Form 10-Q with the SEC and reiterated the Company's financial results that were contained in the October 31st Press Release.

53. In response to the Company's announcement on October 31, 2007, on November 1, 2007, shares of the Company's stock fell \$1.64 per share, or 10.3%, from a close of \$15.79 per share before the announcement, to close at \$14.15 per share, on extremely heavy trading volume. The Company's shares continued to decline over the next several days and closed at \$13.50 per share on November 8, 2007, down \$2.29 per share, or 14.5%, from its close on October 31, 2007.

54. The statements referenced above in ¶¶21-38, 39-47 and 50-52 were materially false and misleading when made because they misrepresented and failed to disclose the following adverse facts, which were known to Defendants or recklessly disregarded by them:

- (a) that the Company was reporting materially inaccurate revenue figures;
- (b) that the Company's reported financial results were materially misstated and did not present the true operating performance of the Company;
- (c) that the Company lacked the internal controls necessary to properly report its revenues and earnings;
- (d) that the Company's financial statements were not prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and were therefore materially false and misleading;
- (e) that the Company's shareholders' equity was materially overstated during the Class Period, including the overstatement of shareholders' equity by \$20.6 million at December 31, 2006; and

(f) as a result of the foregoing, Defendants lacked a reasonable basis for their positive statements about the Company, its corporate governance practices, its prospects and earnings growth.

55. Then, on February 25, 2008, Consec announced in a press release that it would delay the filing of its Form 10-K for the year ended December 31, 2007 and restate its financial results for the years ended December 31, 2006 and 2005, along with affected financial data for 2004 and 2003, and quarterly financial information for 2006 and the first three quarters of 2007. According to the Company, the most significant errors related to insurance policy benefits and liabilities for insurance products in its disease and life operations and in long-term care operations. The press release stated, in part:

The extension (as permitted under Rule 12b-25 of the Securities Exchange Act of 1934) will allow the Company time to complete the December 31, 2007 financial statements and incorporate the correction of errors, the majority of which were identified during the remediation of the material weakness in internal controls disclosed in its 2006 Form 10-K and subsequent quarterly filings with the Securities and Exchange Commission. Due to the significance of these corrections, Consec will restate its financial statements for the years ended December 31, 2006 and 2005, along with affected Selected Consolidated Financial Data for 2004 and 2003, and quarterly financial information for 2006 and the first three quarters of 2007. Therefore, the previously issued financial statements of the Company for those periods should no longer be relied upon.

Although the Company has not yet finalized its December 31, 2007 financial statements, we estimate that the errors identified in the fourth quarter of 2007 will result in an overstatement of previously reported consolidated shareholders' equity at September 30, 2007 in a range of \$15 to \$35 million. The effect on net income (loss) in prior periods may be positive or negative in a particular period and will vary in amount from period to period. We estimate that the correction to net income (loss) will not exceed plus or minus \$15 million for any prior annual period. The Company will also correct previously identified immaterial errors, which had been recognized through cumulative adjustments to previously issued financial statements.

The most significant errors relate to adjustments to insurance policy benefits and the liabilities for insurance products in the specified disease and life blocks of business in the Consec Insurance Group segment and in the long-term care block of business in the Other Business in Run-off segment. The adjustments were discovered through procedures we performed to remediate our material

control weakness. We reviewed certain actuarial valuation processes for approximately 2,400 types of policy forms, encompassing insurance products that accounted for more than 80 percent of the total liabilities for the business subject to the remediation review procedures.

The remediation process is continuing and further developments will be described in future filings with the Securities and Exchange Commission. The focus of the remediation program in 2008 will be on improving the processes, systems and controls related to actuarial reporting to address the new findings. As previously disclosed, the material weakness will not be fully remediated until the improved internal control processes resulting from our procedures are operating effectively for a sufficient period of time to provide reasonable assurance as to their effectiveness.

[Emphasis added.]

56. On March 3, 2008, Conseco filed a Form 12b-25 with the SEC notifying the SEC that the Company's 10-K would be late. The filing disclosed that Conseco had been consulting with the SEC's Office of the Chief Accountant regarding its accounting policy for long-term care premium rate increases and that the SEC had told Conseco that its use of a method that prospectively changes reserve assumptions for long-term care policies based only on changes in premium rates was not consistent with certain financial accounting standards. The filing stated, in part:

In addition, the Company has been consulting with the staff of the SEC's Office of the Chief Accountant (the "SEC Staff") regarding our accounting policy for long-term care premium rate increases as described in the Summary of Significant Accounting Policies in our 2006 Form 10-K. On February 28, 2008, the SEC Staff informed us of their view that the use of a method which prospectively changes reserve assumptions for long-term care policies based solely on changes in premium rates is not consistent with the guidance of Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises." We are continuing to evaluate the SEC Staff's view and have reflected our estimates of its effect in the estimated net income (loss) provided below.

57. On March 4, 2008, Conseco issued a press release concerning its communications with SEC about the accounting used in its Long Term Care business.

58. In response to the Company's announcement on March 3, 2008, on March 4, 2008, shares of the Company's stock fell \$1.15 per share, or 9.9%, from a close of \$11.64 per share before the announcement, to close at \$10.49 per share, on extremely heavy trading volume.

59. On March 17, 2008, the Company issued: (i) a press release announcing preliminary financial results for the quarter and year ended December 31, 2007 (the "March 17th Press Release"); and (ii) additional preliminary financial information related to the Company's financial and operating results for the quarter and year ended December 31, 2007. The press release stated, in pertinent part:

Conseco, Inc. (NYSE: CNO) today reported preliminary results for the fourth quarter and year ended December 31, 2007.

"Overall, we continue to make steady progress on our plans to position Conseco for future growth," CEO Jim Prieur said. "New business continues to be strong at Bankers and at Colonial Penn, and the expected future margins related to new business increased at Conseco Insurance Group despite declining sales. Asset quality has remained a high priority and our portfolio continues to perform within expectations. This is not to say that we are not without our challenges. We will continue to move forward with our strategies to further stabilize our long-term care closed block of business and fully remediate the material weakness in internal controls."

Preliminary results subject to change

As previously announced, the Company has been consulting with the staff of the SEC's Office of the Chief Accountant (the "SEC staff") regarding its accounting policy for long-term care premium rate increases, as described in the Summary of Significant Accounting Policies in Conseco's 2006 Form 10-K. As previously disclosed, Conseco has used a method which prospectively changes reserve assumptions for long-term care policies when premium rate increases differ from original assumptions. On February 28, 2008, the SEC staff informed Conseco of their view that the use of this method is not consistent with the guidance of Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises." The Company is continuing to evaluate the SEC staff's view, including its effects on the preliminary earnings reported herein and the possible effects in prior periods. Due to this ongoing evaluation, the Company has not completed its financial statements for the year ended December 31, 2007. As a result, all financial results described in this press release should be considered preliminary, and are subject to change to reflect any necessary adjustments that are identified before the Company completes its financial statements and files its Form 10-K for the year ended December 31, 2007.

"The delay in completing our financial statements is as frustrating for management as it is for shareholders. There is no difference in the economics of the long-term care business arising from the SEC's position; no changes at all in the cash flows or

capital requirements – it is all about the timing of the recognition of earnings for a long term business,” said Jim Prieur.

Preliminary fourth quarter 2007 results:

- Net operating income (1) before valuation allowance for deferred tax assets: \$18.8 million
- Net operating income before valuation allowance for deferred tax assets per diluted share: 10 cents
- Net loss applicable to common stock: \$72.2 million (including \$23.0 million of net realized investment losses and \$68.0 million valuation allowance for deferred tax assets)
- Net loss per diluted share: 39 cents (including 12 cents of net realized investment losses and 37 cents of valuation allowance for deferred tax assets)
- Income before net realized investment losses, corporate interest and taxes (“EBIT”) (2): \$51.6 million
- Sales (3): \$87.3 million
- Preliminary full-year 2007 results:
- Net operating loss (1) before valuation allowance for deferred tax assets: \$50.2 million
- Net operating loss before valuation allowance for deferred tax assets per diluted share: 37 cents
- Net loss applicable to common stock: \$210.1 million (including \$77.8 million of net realized investment losses and \$68.0 million valuation allowance for deferred tax assets)
- Net loss per diluted share: \$1.21 (including 45 cents of net realized investment losses and 39 cents of valuation allowance for deferred tax assets)
- EBIT (2): \$(6.3) million
- Sales (3): \$415.5 million

Preliminary financial strength at December 31, 2007:

- Book value per diluted share, excluding accumulated other comprehensive income (loss) (4), was \$24.28

- Debt-to-total capital ratio, excluding accumulated other comprehensive income (loss) (4), was 21.0%

The Company currently estimates that adjustments to reflect the SEC staff's view may have the effect of reducing the preliminary loss reported above for the fourth quarter of 2007 by up to \$5 million (or 3 cents per share) and reducing the preliminary loss for the year ended December 31, 2007 by up to \$15 million (or 9 cents per share). The Company is working diligently to complete its financial statements and Form 10-K for the year ended December 31, 2007, as soon as possible (expected to be no later than March 28, 2008).

As announced in the Company's February 25, 2008 press release, due to the significance of errors identified in completing the December 31, 2007 financial statements (the majority of which were identified during the procedures performed in an effort to remediate the material weakness in internal controls disclosed in its 2006 Form 10-K and subsequent quarterly filings with the SEC), Consecro will restate its financial statements for the years ended December 31, 2006 and 2005, along with affected selected financial data for 2004 and 2003 and the first three quarters of 2007. Therefore, the previously issued financial statements of the Company for those periods should no longer be relied upon.

60. In response to March 17th Press Release, shares of the Company's stock fell \$1.30 per share, or 12.9%, from a close of \$10.06 per share on March 14, 2008, the last trading date before the announcement, to close at \$8.76 per share, on extremely heavy trading volume.

61. On March 28, 2008, the Company filed a Form 10-K with the SEC detailing its financial results for the fourth quarter and year-end of 2007, the period ended December 31, 2007 (the "2007 10-K") and reiterated much of the financial information contained in the March 17th Press Release. This filing also restated Consecro's financial results during the Class Period and earlier.

62. The 2007 10-K described significant and material weaknesses in internal controls that existed at the Company during the Class Period:

We have identified a material weakness in our internal control over financial reporting, and our business and stock price may be adversely affected if we have not adequately addressed the weakness or if we have other material weaknesses or significant deficiencies in our internal control over financial reporting.

We did not maintain effective controls over the accounting and disclosure of insurance policy benefits and the liabilities for insurance products. We identified a material weakness in internal controls over the actuarial reporting processes related to the design of controls to ensure the completeness and accuracy of certain inforce policies in our Bankers Life segment, Consecro Insurance Group segment, and Other Business in Run-off segment. These control deficiencies resulted in adjustments to insurance policy benefits and the liabilities for insurance products in the consolidated financial statements for the years ended December 31, 2006 and December 31, 2007. As a result of the errors we identified related to these deficiencies during remediation procedures performed in 2007, Consecro has restated its financial statements for the years ended December 31, 2006 and 2005, along with affected Selected Consolidated Financial Data for 2004 and 2003, and quarterly financial information for 2006 and the first three quarters of 2007.

* * *

The most significant errors relate to adjustments to insurance policy benefits and the liabilities for insurance products in the specified disease and life blocks in the Consecro Insurance Group segment and in the long-term care block of business in the Other Business in Run-off segment identified in 2007 during the aforementioned remediation procedures.

* * *

The errors we discovered through our remediation procedures had the effect of reducing shareholders' equity at December 31, 2006 by \$20.6 million . . .

63. Consecro also admitted in the 2007 10-K that the deficiencies in its internal controls caused it to issue false and misleading statements in prior SEC filings:

These control deficiencies resulted in the misstatement of our insurance policy benefits, amortization expense, the liabilities for insurance products and the value of policies inforce at the Effective Date and related disclosures in the consolidated financial statements, and in the restatement of our consolidated financial statements for 2006 and 2005, each of the quarters of 2006 and the first three quarters of 2007. Additionally, these control deficiencies could result in the misstatement of the aforementioned accounts and disclosures that would result in a material misstatement in our annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that these control deficiencies constitute a material weakness.

64. Furthermore, the 2007 10-K restated the Company's financial statements during the Class Period. The 2007 10-K contained the following restatements, among others:

	Understatement (overstatement) of shareholders' equity at December 31, 2006	

Coding errors in actuarial system related to specified disease return of premium features.....	\$ 25.6	(i)
Error related to certain specified disease policies for which return of premium is payable upon first occurrence of claim.....	(15.9)	(ii)
Error in reserve factors for certain specified disease policies.....	(20.4)	(iii)
Error related to certain specified disease policies for which return of premium benefit is not reduced for claims.....	(18.0)	(iv)
Inconsistent performance of procedure to identify terminated long-term care policies.....	10.7	(v)
Coding errors in actuarial system related to universal life policies.....	7.9	(vi)
Error related to certain universal life policies with bonus features.....	(6.5)	(vii)
Errors identified through outlier procedures.....	(14.4)	(viii)
Other errors.....	(1.0)	(ix)

Total errors before income tax effect.....	(32.0)	
Income tax effect.....	11.4	

Total errors after income tax.....	\$(20.6)	
	=====	

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The effects of the restatement adjustments on our consolidated financial statements are as follows:

Consolidated Statement of Operations

	Year ended December 31, 2006				
	Adjustments				
	As previously reported	Remediation procedures	Accounting for premium rate increases	Previously identified errors	As restated
	-----	-----	-----	-----	-----
	(Dollars in millions, except per share data)				
Total revenues.....	\$4,467.4	\$ -	\$ -	\$ -	\$4,467.4
Benefits and expenses:					
Insurance policy benefits.....	3,068.4	(5.5)	(30.6)	.7	3,033.0
Interest expense.....	73.5	-	-	-	73.5
Amortization.....	423.4	1.5	16.5	.2	441.6
Loss on extinguishment of debt....	.7	-	-	-	.7
Costs related to tentative litigation settlement.....	174.7	-	-	-	174.7
Other operating costs and expenses.....	574.4	-	-	2.3	576.7
	-----	-----	-----	-----	-----
Total benefits and expenses....	4,315.1	(4.0)	(14.1)	3.2	4,300.2
	-----	-----	-----	-----	-----

Income before income taxes.....	152.3	4.0	14.1	(3.2)	167.2
Income tax expense.....	55.8	1.5	5.1	(1.2)	61.2
	-----	-----	-----	-----	-----
Net income.....	\$ 96.5	\$ 2.5	\$ 9.0	\$(2.0)	\$ 106.0
	=====	=====	=====	=====	=====
Net income per share - basic.....	\$.39				\$.45
	=====				=====
Net income per share - diluted.....	\$.38				\$.45
	=====				=====

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Year ended December 31, 2005

	As previously reported	Adjustments			As restated
		Remediation procedures	Accounting for premium rate increases	Previously identified errors	
		(Dollars in millions, except per share data)			
Total revenues.....	\$4,326.5	\$ -	\$ -	\$ -	\$4,326.5
Benefits and expenses:					
Insurance policy benefits.....	2,800.6	20.8	-	8.6	2,830.0
Interest expense.....	58.3	-	-	-	58.3
Amortization.....	388.4	1.4	-	(10.8)	379.0
Loss on extinguishment of debt....	3.7	-	-	-	3.7
Costs related to tentative litigation settlement.....	18.3	-	-	-	18.3
Other operating costs and expenses.....	553.8	-	-	(.9)	552.9
	-----	-----	-----	-----	-----
Total benefits and expense.....	3,823.1	22.2	-	(3.1)	3,842.2
	-----	-----	-----	-----	-----
Income before income taxes.....	503.4	(22.2)	-	3.1	484.3
Income tax expense.....	178.5	(8.0)	-	1.1	171.6
	-----	-----	-----	-----	-----
Net income.....	\$ 324.9	\$(14.2)	\$ -	\$ 2.0	\$ 312.7
	=====	=====	=====	=====	=====
Net income per share - basic.....	\$1.90				\$1.82
	=====				=====
Net income per share - diluted.....	\$1.76				\$1.69
	=====				=====

2007

	Restated (b)			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr. (a)
Revenues.....	\$1,114.5	\$1,169.2	\$1,170.7	\$1,117.9

Loss before income taxes.....	(.8)	(85.3)	(85.3)	(1.6)
Net loss.....	(.5)	(55.2)	(52.7)	(71.5)
Loss per common share:				
Basic:				
Net loss.....	\$(.07)	\$(.35)	\$(.28)	\$(.38)
Diluted:				
Net loss.....	\$(.07)	\$(.35)	\$(.28)	\$(.38)

	As previously reported		
	1st Qtr.	2nd Qtr.	3rd Qtr.
2007			
Revenues.....	\$1,114.5	\$1,169.2	\$1,175.2
Income (loss) before income taxes.....	16.2	(92.7)	(86.8)
Net income (loss).....	10.4	(59.9)	(53.7)
Income (loss) per common share:			
Basic:			
Net income (loss).....	\$.01	\$(.38)	\$(.29)
Diluted:			
Net income (loss).....	\$.01	\$(.38)	\$(.29)
<FN>			
(a)	In the fourth quarter of 2007, our net loss reflected the following:		
	(i) an after tax charge of \$10 million as a result of changes in our estimates of future profits for certain interest-sensitive blocks of business in our Conesco Insurance Group segment; and (ii) an increase of \$68 million in our valuation allowance for deferred tax assets.		

CONSECO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	Restated (b)			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr. (a)
2006				
Revenues.....	\$1,121.7	\$1,084.1	\$1,118.3	\$1,143.3
Income (loss) before income taxes.....	93.6	(32.4)	82.0	24.0
Net income (loss).....	59.8	(20.7)	51.7	15.2
Income (loss) per common share:				
Basic:				
Net income (loss).....	\$.33	\$(.20)	\$.28	\$.04
Diluted:				
Net income (loss).....	\$.33	\$(.20)	\$.28	\$.04
As previously reported				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2006				
Revenues.....	\$1,121.7	\$1,084.1	\$1,118.3	\$1,143.3
Income (loss) before income taxes.....	101.1	(34.9)	76.7	9.4
Net income (loss).....	64.6	(22.3)	48.4	5.8
Income (loss) per common share:				
Basic:				
Net income (loss).....	\$.36	\$(.21)	\$.26	\$(.02)
Diluted:				
Net income (loss).....	\$.35	\$(.21)	\$.26	\$(.02)
<FN>				
(a) In the fourth quarter of 2006, our net loss reflected the following:				

(i) an after tax charge of \$35.2 million as a result of changes in estimates in the long-term care block of business in the Other Business in Run-off segment; (ii) an after tax charge of \$4.6 million related to refinements of data used to estimate certain long-term care claim liabilities in the Other Business in Run-off segment; and (iii) an after tax charge of \$10.5 million in connection with changes in management's intent regarding the administration of certain life policies.

65. The market for Conseco common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Conseco common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Conseco common stock relying upon the integrity of the market price of Conseco common stock and market information relating to Conseco, and have been damaged thereby.

66. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Conseco common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

67. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused, or were a substantial contributing cause of, the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false or misleading statements about Conseco's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Conseco and its business, prospects and operations, thus causing the price of Conseco common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class

purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

Additional Scienter Allegations

68. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Consecos, their control over, and/or receipt and/or modification of Consecos's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Consecos, participated in the fraudulent scheme alleged herein.

Loss Causation/Economic Loss

69. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct which artificially inflated the prices of Consecos's common stock and operated as a fraud or deceit on Class Period purchasers of Consecos common stock. When Defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price of Consecos common stock fell precipitously as the prior artificial inflation came out. As a result of their purchases of Consecos common stock during the Class Period, Plaintiff and the other Class members suffered economic loss, *i.e.*, damages, under the federal securities laws.

70. Defendants' false and misleading statements had the intended effect and caused Consecos common stock to trade at artificially inflated levels throughout the Class Period.

71. As a direct result of Defendants' disclosures set forth above, the price of Consec common stock fell precipitously. These drops removed the inflation from the price of Consec common stock, causing real economic loss to investors who had purchased Consec common stock during the Class Period.

72. The declines in the price of Consec common stock after the disclosures came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of the price declines in Consec common stock negates any inference that the loss suffered by Plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiff and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the price of Consec common stock and the subsequent significant decline in the value of Consec common stock when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

**Applicability of Presumption of Reliance:
Fraud on the Market Doctrine**

73. At all relevant times, the market for Consec common stock was an efficient market for the following reasons, among others:

- (a) Consec common stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;
- (b) as a regulated issuer, Consec filed periodic public reports with the SEC and the NYSE;
- (c) Consec regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national

circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Consecos was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

74. As a result of the foregoing, the market for Consecos common stock promptly digested current information regarding Consecos from all publicly available sources and reflected such information in the prices of the stock. Under these circumstances, all purchasers of Consecos common stock during the Class Period suffered similar injury through their purchase of Consecos common stock at artificially inflated prices and a presumption of reliance applies.

No Safe Harbor

75. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements were made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Consecos who knew that those statements were false when made.

COUNT I

**Violation of Section 10(b) of the Exchange Act
and Rule 10b-5 Promulgated Thereunder
Against All Defendants**

76. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

77. During the Class Period, Defendants disseminated or approved the materially false and misleading statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

78. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock during the Class Period.

79. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Consecro common stock. Plaintiff and the Class would not have purchased Consecro common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

80. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of Consecro common stock during the Class Period.

COUNT II

**Violation of Section 20(a) of the Exchange Act
Against the Individual Defendants**

81. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

82. The Individual Defendants acted as controlling persons of Conseco within the meaning of Section 20(a) of the Exchange Act as alleged herein. By reason of their positions as officers and/or directors of Conseco, and their ownership of Conseco stock, the Individual Defendants had the power and authority to cause Conseco to engage in the wrongful conduct complained of herein. By reason of such conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: August 6, 2009

COUGHLIN STOIA GELLER RUDMAN &
ROBBINS LLP
SAMUEL H. RUDMAN
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Attorneys for Plaintiffs

CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

PLUMBERS AND PIPEFITTERS LOCAL UNION NO. 719 PENSION
TRUST FUND ("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.
2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

<u>Security</u>	<u>Transaction</u>	<u>Date</u>	<u>Price Per Share</u>
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See attached Schedule A.

5. Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below during the three years prior to the date of this Certification:

In re Zimmer Holdings, Inc. Sec., Deriv. & Erisa Litig., No. 1:09-md-06000-SEB-DML (S.D. Ind.)

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery.

CONSEC

except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 29 day of July, 2009.

PLUMBERS AND PIPEFITTERS LOCAL
UNION NO. 719 PENSION TRUST FUND

By: Robert M. Calder
ROBERT M. CALDER

Its: CHAIRMAN

SCHEDULE A
SECURITIES TRANSACTIONS

Acquisitions

<u>Date Acquired</u>	<u>Type/Amount of Securities Acquired</u>	<u>Price</u>
12/05/2005	2,800	\$23.04
01/31/2006	2,550	\$24.50
03/02/2006	1,950	\$24.87

Sales

<u>Date Sold</u>	<u>Type/Amount of Securities Sold</u>	<u>Price</u>
03/10/2006	100	\$25.51
05/16/2006	100	\$23.34
08/14/2006	200	\$20.30
09/06/2006	6,900	\$20.72